

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

240.2

THE EQUITY OF THE STATE'S
SUBSIDY OF THE COUNTY FOOD
STAMP ADMINISTRATION COSTS

FEBRUARY 1976



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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February 23, 1976

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of
the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Transmitted herewith is a report of the Office of the Auditor General which describes state costs in the administration of the Federal Food Stamp Program by the counties.

Seventeen counties are given \$20 of state funds annually for each recipient while 41 counties are given \$7 for each recipient. Taken as a whole, the taxpayers of the 41 counties are subsidizing the taxpayers of the remaining 17. Coincidentally, the latter also enjoy a lower property tax rate.

The auditors are Gerald A. Hawes, Robert Christophel, Mildred Kiesel, and Bill Myers.

Respectfully submitted,

MIKE CULLEN

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During the first full year that the State shared in the funding of the county non-assistance food stamp administrative costs, the State subsidized, at an average rate of \$7 per recipient, those counties which had voluntarily adopted the Food Stamp Program, but the State paid an average rate of almost \$20 per recipient to those counties which did not convert from the Surplus Commodities Program to the Food Stamp Program until required to do so by Congress.	4
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SUMMARY

The 41 counties which elected to provide food stamps prior to July 1, 1974 are being subsidized by the State at a rate of \$7 per recipient annually. However, the 17 counties which elected to provide surplus commodities until the commodity program was eliminated by federal mandate on July 1, 1974 are now being subsidized at a rate of \$20 per food stamp recipient annually.

This difference in state subsidy level results in the taxpayers of 41 of the food stamp counties funding not only their own food stamp program, but in addition, nearly one-half of the program in 17 other food stamp (formerly commodity) counties. The former commodity counties have a lower tax rate than the other 41 counties.

INTRODUCTION

In response to a legislative request, we have reviewed the equity of the method of establishing the State's share of the counties' administrative cost of providing food stamps.

Food stamps are available to two groups of recipients: (1) families who are eligible for Aid to Families with Dependent Children (AFDC), and (2) persons having low income but who are not eligible for AFDC. The food stamp eligibility determination costs for the former group are not distinguished from other AFDC eligibility determination costs. The federal share, which is 50 percent of these administrative costs, is paid by the U.S. Department of Health, Education and Welfare.

Those costs applicable to the latter group of recipients are separately accounted for and are referred to as non-assistance food stamp administrative costs. The costs of issuing all food stamps are included in the non-assistance food stamp administrative costs. The federal share of these costs, which is 50 percent, is paid by the U.S. Department of Agriculture. Prior to the passage of U. S. Public Law 93-347 (effective October 1, 1974), the U. S. Department of Agriculture paid 62.5 percent of the eligibility determination costs and the local governments paid the remaining 37.5 percent plus 100 percent of the administrative support and issuance costs.

State's Share of Administrative Costs

Prior to July 1, 1974 the counties paid all of the local government share of the food stamp and surplus commodity administrative costs. On that date, Section 18906 of the Welfare and Institutions Code (AB 134 effective January 1, 1974) became effective and the State has since reimbursed the counties for the increase in the non-federal share of these administrative costs above the 1973 level.

Administrative Cost Control Plan

The Legislature has emphasized its concern for the rapid growth of county welfare administrative costs of both the Medi-Cal and Food Stamp programs. The 1975 Budget Act requires both the Department of Benefit Payments and the Department of Health to develop and implement plans "...whereby costs for county administration will be effectively controlled within the amount appropriated...".

The plan developed and being implemented by the Department of Benefit Payments is based on comparisons of the individual county's total activity rather than the State's subsidy of the administration costs. During 1974-75, the first year of state subsidy of county administrative costs, the State's share of cost ranged from a low of paying nothing to five counties and less than \$1 per recipient in Sacramento County to a high of paying over \$50 per recipient in three counties. The variation among the counties in total cost is substantially less than these variations in the State's subsidy of these costs. The objective of the cost control plan is to limit state costs; however, each county's total cost, rather than the State's share of these costs, is the basis by which

this is to be accomplished. Section 18906 prevents the department from applying a basis which would reduce the inequity which exists in the state's subsidy of the food stamp administration costs. This report describes the effect of this inequity.

FINDING

DURING THE FIRST FULL YEAR THAT THE STATE
SHARED IN THE FUNDING OF THE COUNTY NON-
ASSISTANCE FOOD STAMP ADMINISTRATIVE COSTS,
THE STATE SUBSIDIZED, AT AN AVERAGE RATE
OF \$7 PER RECIPIENT, THOSE COUNTIES WHICH
HAD VOLUNTARILY ADOPTED THE FOOD STAMP
PROGRAM, BUT THE STATE PAID AN AVERAGE RATE
OF ALMOST \$20 PER RECIPIENT TO THOSE COUNTIES
WHICH DID NOT CONVERT FROM THE SURPLUS
COMMODITIES PROGRAM TO THE FOOD STAMP
PROGRAM UNTIL REQUIRED TO DO SO BY CONGRESS.

The State's support of county food stamp administrative costs is materially affected by the addition of Section 18906 of the Welfare and Institutions Code (Appendix A) which restricts county costs to the 1973 level (Appendix B), and by the congressional elimination of the local option to provide surplus commodities as an alternative to providing food stamps on July 1, 1974 (U.S. Public Law 93-86).

The counties' administrative costs to provide commodities were significantly lower than the costs to provide food stamps; therefore, when the Section 18906 limit was implemented, there was established a much lower cost base for the 17 counties which were providing commodities during calendar year 1973. When the commodity counties were required to convert to food stamps by Public Law 93-86, the limit on costs to administer commodities became applicable to the cost to administer food stamps with the State, thereby assuming a higher level of support.

The counties' share of administering the food stamp and surplus commodity programs for the base year 1973 has tentatively been set at \$21.6 million. Individual county amounts are shown in Appendix B. Subject to State Controller's audit, these are the maximum amounts that the counties will pay each year. Costs in excess of these amounts are to be paid by the State.

The following analysis shows the degree of variation in the State's support of food stamp administrative costs between those counties which converted voluntarily to the Food Stamp Program and those which converted upon being required to do so. (These costs are subject to final audit.)

TABLE 1

ANALYSIS OF FEDERAL, STATE AND COUNTY
NON-ASSISTANCE FOOD STAMP COSTS FOR
FISCAL YEAR ENDED JUNE 30, 1975

	<u>Annual Cost in Millions</u>	<u>Annual Cost per Recipient*</u>
Federal Funds	\$22.8	\$45.33**
State Share of Non-Federal Cost	4.4	8.73
County Share of Non-Federal Cost	<u>20.5</u>	<u>40.77</u>
Total Administrative Cost	<u>\$47.7</u>	<u>\$94.83</u>

*Average 1974-75 monthly caseload -- 503,980

**U.S. Public Law 93-347 became effective October 1, 1974, therefore fiscal year 1974-75 does not reflect the current 50 percent federal-local sharing ratios.

TABLE 2
 ANALYSIS OF COUNTY NON-ASSISTANCE
 FOOD STAMP COSTS BY COMMODITY
 AND FOOD STAMP COUNTIES
FISCAL YEAR ENDED JUNE 30, 1975

	<u>Annual Cost</u>	<u>Average Caseload</u>	<u>Annual Cost Per Recipient</u>
Commodity Counties	\$1,256,300	64,520	\$19.47
Food Stamp Counties	<u>3,140,500</u>	<u>439,460</u>	7.15
Totals and Average	<u>\$4,396,800</u>	<u>503,980</u>	\$ 8.73

The average non-federal annual cost to provide food stamps is \$49.50 (\$40.77 + \$8.73) per recipient (as reflected in Table 1). The State paid \$8.73 of this amount and the counties paid the remaining \$40.77. However, as shown in Appendixes C1 and C2, a comparison of the commodity counties to the food stamp counties reveals that the State is paying \$19.47 annually per recipient or 46.2 percent of the costs incurred by the commodity counties, but only \$7.15 annually per recipient or 14.1 percent of the costs incurred by the food stamp counties.

The counties which had implemented the Food Stamp Program prior to being required to do so by Congress generally have a higher number of food stamp recipients per population and also higher average property tax rates than those counties which did not provide food stamps until required by Congress. Therefore, the effects of Section 18906 are

and will continue to be as follows. Local taxpayers in those counties which offered food stamps before being required to do so will continue to pay higher local taxes because of the greater proportions of food stamp recipients in these counties, and, in addition, will support through state taxes not only the administrative costs in their own counties, but also in those counties which did not offer food stamps until required by Congress.

The legislative mandate for the cost control plan is shown in Appendix D. Under the plan of the Department of Benefit Payments, those counties identified as bearing the highest relative cost will bear the highest reduction in state support because the collective costs of the counties are in excess of the legislative appropriation. This occurs even though such counties may be reimbursed for only a small part of their administrative costs if no reduction is necessary, while other counties will continue to be reimbursed for a major part of their costs whether or not reduction is necessary.

CONCLUSION

The difference in the state subsidy level results in the taxpayers of the 41 food stamp counties funding not only their own food stamp program, but nearly one-half of the program in the 17 commodity counties. The current attempt by the Department to control food stamp costs is aimed at the total cost and under current law (Section 18906) this inequity will continue.

RECOMMENDATION

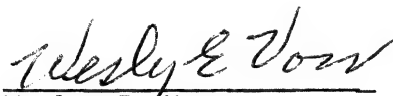
We recommend that the Legislature amend Section 18906 of the Welfare and Institutions Code to either:

- Require that all counties have a standard percent for state reimbursement so that the Department of Benefit Payments' cost control plan will have an impact on the counties which is consistent with the amount of the state subsidy and the present substantial variations in the state subsidy by county will be reduced; or
- Move the base year forward to a period when all counties provided food stamps.

BENEFIT

The present inequity in Section 18906 of the Welfare and Institutions Code would be eliminated.

Respectfully submitted,


Wesley E. Voss
Audit Manager in Charge

Staff:

Gerald A. Hawes
Robert Christophel
Mildred Kiesel
Bill Myers

Memorandum

To : Gerald Hawes
Audit Manager
Office of the Auditor General
555 Capitol Mall, Suite 550
Sacramento, CA 95814

Date : February 13, 1976

Subject: Response to Audit -
County Food Stamp
Administrative Costs

From : Department of Benefit Payments, 744 P Street, Sacramento 95814

I believe we would all agree that the present state share in the funding of the county nonassistance food stamp administrative costs is inequitable. The counties that waited until the last minute to enter the Food Stamp Program had generally lower base year costs and, thus, receive the greatest state share. Counties that were already in the Food Stamp Program, particularly those providing excellent service, have large base years and get a lower percentage of their food stamp costs subsidized by the state. There is no reason to refute this finding. Some commodity counties, however, do have high base year costs. The report sidesteps this fact.

***1/

Converting the base year in 1974 would equate county administrative costs, but at a much higher level. The result would be a lower state share. To sweeten the pot, an increased subsidy would have to be made available and it is doubtful the present administration will accept such a move.

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Another method suggested to ensure equality in funding is to fund on the basis of case load, i.e., a certain amount per case. Small counties could be negatively effected with this proposal because of fixed operating costs, regardless of case load.

Kyle S. McKinsey
KYLE S. MCKINSEY *by S. L. Lamm*
Deputy Director

1/Comments deleted which do not pertain to information in the final report.

Section 18906 - Welfare and Institutions Code

"For the 1974-75 fiscal year, and each year thereafter, each county's share toward the cost of the Food Stamp Program, provided under this chapter shall be equivalent to its administrative costs in operating the Food Stamp Program under this chapter or the Surplus Commodity Program under Article 3, Chapter 3, Part 1 of Division 2 of the Education Code during calendar year 1973 less the federal share of the administrative costs of those programs."

(Chapter 1216 1973, AB 134)

1973
NON-ASSISTANCE FOOD STAMP
BASE YEAR COST

<u>Counties</u>	<u>Interim Level</u>	<u>Counties</u>	<u>Interim Level</u>
Alameda	\$ 1,084,725	Orange	\$ 441,304
Alpine	1,843*	Placer	89,089
Amador	2,698*	Plumas	7,059*
Butte	127,806	Riverside	268,235
Calaveras	13,364	Sacramento	758,681
Colusa	3,766*	San Benito	26,258
Contra Costa	579,994	San Bernardino	339,371*
Del Norte	19,015	San Diego	349,401*
El Dorado	16,992*	San Francisco	1,397,936
Fresno	542,117	San Joaquin	266,583*
Glenn	8,217*	San Luis Obispo	133,250
Humboldt	183,841	San Mateo	256,029
Imperial	80,812	Santa Barbara	294,015
Inyo	15,095*	Santa Clara	1,044,627
Kern	288,827	Santa Cruz	276,359
Kings	91,655*	Shasta	91,313
Lake	13,578*	Sierra	932
Lassen	9,612	Siskiyou	33,935
Los Angeles	10,654,849	Solano	127,712
Madera	45,728	Sonoma	145,985
Marin	195,803	Stanislaus	217,842
Mariposa	3,773	Sutter	27,943*
Mendocino	43,212*	Tehama	19,520
Merced	179,057	Trinity	10,490
Modoc	7,620	Tulare	189,390
Mono	1,207	Tuolumne	7,638*
Monterey	187,739	Ventura	196,243*
Napa	26,065*	Yolo	69,138
Nevada	22,490	Yuba	39,252
		TOTAL	<u>\$21,577,030</u>

*Counties which provided commodities rather than food stamps.

Source: State Department of Benefit Payments.
Amounts subject to State Controller's Audit.

STATE SUBSIDY OF COMMODITY COUNTY
1974-75 FOOD STAMP ADMINISTRATIVE COSTS

<u>Counties</u>	<u>1974-75 Total Cost*</u>	<u>1974-75 State Subsidy</u>	<u>1974-75 Recipient Caseload**</u>	<u>State Subsidy As a Percent Of Total Cost</u>	<u>State Subsidy Per Recipient</u>
Alpine	\$ 2,000	\$ 200	20	10.0%	\$10.00
Amador	13,300	10,100	200	75.9	50.50
Colusa	17,100	13,300	200	77.8	66.50
El Dorado	75,300	58,300	1,500	77.4	38.87
Glenn	16,100	7,900	300	49.1	26.33
Inyo	20,500	5,300	500	25.9	10.60
Kings	97,400	5,800	2,600	6.0	2.23
Lake	54,700	41,100	800	75.1	51.38
Mendocino	99,700	56,500	2,500	56.7	22.60
Napa	68,900	42,600	1,200	61.8	35.50
Plumas	21,000	14,000	400	66.7	35.00
San Bernardino	451,600	112,200	15,000	24.8	7.48
San Diego	916,200	566,800	22,800	61.9	24.86
San Joaquin	455,500	134,200	7,500	29.5	17.89
Sutter	46,800	26,900	1,300	57.5	20.69
Tuolumne	22,300	14,700	500	65.9	29.40
Ventura	<u>342,700</u>	<u>146,400</u>	<u>7,200</u>	42.7	20.33
	<u>\$2,721,100</u>	<u>\$1,256,300</u>	<u>64,520</u>	46.2%	\$19.47

*Net of federal matching funds

**Average of 12 monthly caseloads

STATE SUBSIDY OF FOOD STAMP COUNTY
1974-75 FOOD STAMP ADMINISTRATIVE COSTS

<u>Counties</u>	<u>1974-75 Total Costs*</u>	<u>1974-75 State Subsidy</u>	<u>1974-75 Recipient Caseload**</u>	<u>State Subsidy As a Percent Of Total Cost</u>	<u>State Subsidy Per Recipient</u>
Alameda	\$ 1,242,500	\$ 157,800	18,900	12.7%	\$ 8.35
Butte	158,700	30,900	5,800	19.5	5.33
Calaveras	20,400	7,000	600	34.3	11.67
Contra Costa	637,800	53,400	8,000	8.4	6.68
Del Norte	30,600	11,600	600	37.9	19.33
Fresno	611,200	70,400	21,800	11.5	3.23
Humboldt	275,000	91,100	6,300	33.1	14.46
Imperial	68,400	-	2,900	-	-
Kern	436,700	147,800	9,400	33.8	15.72
Lassen	28,600	17,800	500	62.2	35.60
Los Angeles	10,271,500	570,500	131,100	5.6	4.35
Madera	63,400	17,700	2,500	27.9	7.08
Marin	227,400	31,600	5,400	13.9	5.85
Mariposa	9,500	5,700	200	60.0	28.50
Merced	159,600	-	3,200	-	-
Modoc	16,400	8,800	600	53.7	14.67
Mono	7,300	6,100	300	83.6	20.33
Monterey	264,400	76,600	11,300	29.0	6.78
Nevada	50,300	27,800	1,400	55.3	19.86
Orange	591,500	150,200	25,000	25.4	6.01
Placer	106,400	17,400	4,300	16.4	4.05
Riverside	636,900	369,500	17,600	58.0	20.99
Sacramento	772,600	16,700	17,100	2.3	.98
San Benito	31,000	4,800	1,700	15.5	2.82
San Francisco	1,682,500	270,100	42,000	16.1	6.43
San Luis Obispo	174,100	40,900	3,500	23.5	11.69
San Mateo	342,900	86,600	7,000	25.3	12.37
Santa Barbara	455,400	161,400	8,700	35.4	18.55
Santa Clara	1,332,400	394,100	33,100	29.6	11.91
Santa Cruz	376,800	100,400	9,200	26.6	10.91
Shasta	143,200	51,800	6,800	36.2	7.62
Sierra	1,300	400	60	30.8	6.67
Siskiyou	44,000	10,100	1,300	23.0	7.77
Saiano	134,600	7,200	2,000	5.3	3.60
Sonoma	209,200	63,200	3,600	30.2	17.56
Stanislaus	204,700	-	9,600	-	-
Tehama	34,600	15,000	1,200	43.4	12.50
Trinity	6,400	-	600	-	-
Tulare	211,800	22,500	7,900	10.6	2.85
Yolo	81,500	-	3,800	-	-
Yuba	64,900	25,600	2,600	39.4	9.85
	<u>\$22,218,400</u>	<u>\$3,140,500</u>	<u>439,460</u>	14.1%	\$ 7.15

*Net of federal matching funds

**Average of 12 monthly caseloads

BUDGET
CONTROL LANGUAGE
ITEM 291, CHAPTER 176, 1975
(PARTIAL)

"Provided further, that during the 1975-76 fiscal year, the Department of Benefit Payments shall develop and implement a plan whereby costs for county administration shall be effectively controlled within the amount appropriated by this item; provided further, that the department shall seek the advice and assistance of the counties in the development of the cost-control method; provided further, that implementation of the method shall be effective not sooner than 30 days after submission of the plan to the Chairman of the Joint Legislative Budget Committee."

Office of the Auditor General

cc: Members of the Legislature
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Office of the Lieutenant Governor
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State Controller
State Treasurer
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Director of Finance
Assembly Office of Research
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